

Withholding of Funds. When a recipient organization receiving cash funds by letter of credit or by electronic transfer of funds to the grantee's financial institution demonstrates: (1) an unwillingness or inability to attain program or project goals or to establish procedures that will minimize the time elapsing between cash drawdowns and expenditures; (2) cannot adhere to guideline requirements or special conditions; (3) engages in the improper award and administration of subawards or contracts; or (4) is UNABLE TO SUBMIT RELIABLE AND/OR TIMELY REPORTS; the awarding agency may withhold drawdowns and require the recipient organization to finance its operations with its own working funds until such time that the recipient organization is in compliance with its award.

Minimum Cash on Hand. Whatever payment method is used, recipient organizations should request funds based upon immediate disbursement requirements. Funds will not be paid in a lump sum, but rather disbursed over time as project costs are incurred or anticipated (with the exception of Local Law Enforcement Block Grants, LLEBG, Juvenile Accountability Incentive Block Grants, JAIBG, and State Criminal Alien Assistance Program Grants, SCAAP, which are paid in a lump sum). Recipients should time their drawdown requests to ensure that Federal cash on hand is the minimum needed for disbursements to be made immediately or within a few days.

Fund requests from subrecipients create a continuing cash demand on award balances of the State. The State should keep in mind that idle funds in the hands of subrecipients will impair the goals of cash management. All recipients must develop procedures for the disbursement of funds to ensure that cash on hand is kept at a minimal balance.

Interest Earned. Recipients and subrecipients shall minimize the time elapsing between the transfer and disbursement of funds. Recipients and subrecipients who administer confidential funds may establish different procedures for administering confidential funds to provide quick access to funds to meet the needs of the project. Also, interest income on LLEBG Block and JAIBG Block grants, must be accounted for and reported as program income and used in accordance with the provisions of Chapter 4 (Program Income) of this guide.

1. In accordance with Section 203 of the Intergovernmental Cooperation Act of 1968 (Pub. L. 90-577; 31 USC § 6503(a)), a State and its subrecipient and any agency or instrumentality of a State, including State institutions of higher education and State hospitals, but not political subdivisions of a State (cities, towns, counties, and special districts created by State law) SHALL NOT be held accountable for interest earned on grant money pending its disbursement for program purposes.

This refers to formula grant programs where subawards are made to local jurisdictions. Subrecipients under formula grant programs are held accountable for interest earned on advances.

2. In accordance with Sections 102, 103, and 104 of the Indian Self Determination Act (Pub. L. 93-638; USC §450(j)), tribal organizations SHALL NOT be held accountable for interest earned pending their disbursement by such organizations.

3. All local units of government (political subdivisions of a State, including cities, towns, counties and special districts created by State law) shall account for interest earned on Federal funds. Local units of government may keep interest earned on Federal grant funds up to \$100 PER FISCAL YEAR. This maximum limit is not per award, it is inclusive of all interest earned as a result of all Federal grant program funds received per year. Interest earned in excess of \$100 must be remitted to the United States Department of Health and Human Services, Division of Payment Management Services, P.O. Box 6021, Rockville, MD 20852.
4. Nonprofit organizations shall account for interest earned on Federal funds. Nonprofit organizations may keep interest earned on Federal grant funds up to \$250 PER FISCAL YEAR. This maximum limit is not per award, it is inclusive of all interest earned as a result of all Federal grant program funds received per year. Interest earned in excess of \$250 must be remitted to the United States Department of Health and Human Services, Division of Payment Management Services, P.O. Box 6021, Rockville, MD 20852.

Note: Interest earned on LLEBG Block, JAIBG Block and SCAAP grants must be accounted for and reported as program income, and used in accordance with the provisions of Chapter 4 (Program Income) of this guide.

Cash Management Improvement Act of 1990. To the extent that the provisions of the Cash Management Improvement Act (CMIA) (Pub. L. 101-453) govern, payment methods of State agencies, instrumentalities, and fiscal agents must be consistent with CMIA Treasury-State Agreements or the CMIA default procedures codified at 31 CFR Part 205, "Withdrawal of Cash from the Treasury for Advances under Federal Grant and Other Programs." Copies of 31 CFR Part 205 may be obtained from the DOJ Response Center at 1-800-421-6770.